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SECRET

Approved For Release 2006/02/07 : CIA-RDP77M00144R000600030007-9

ROUTING AND RECORD SHEET

LIAISON, GAO under 1975

SUBJECT: (Optional)

GAO Audit

FROM:

Acting Director of Finance
1212 Key Building

EXTENSION

NO.

DATE

file
GAO Audit
(new file)

18 August 1972

25X1

TO: (Officer designation, room number, and building)

DATE

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1. Exec. Dir-Comptroller
7 D 59 HQS.

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FORM 610 USE PREVIOUS EDITIONS

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18 AUG 1972

MEMORANDUM FOR: Executive Director-Comptroller

SUBJECT : General Accounting Office Audit

1. During your meeting with Mr. Yale on 9 August, you asked that he provide you with documentation relating to the determination of the General Accounting Office in 1962 to discontinue audit of vouchered fund activities of the Agency. You also inquired as to whether there is a clear agreement with the General Accounting Office for the destruction of records that could be subjected to GAO audit.

2. Copies of the key correspondence relating to the discontinuance of the GAO audit are attached as Tab A. In summary, the decision to discontinue was the outgrowth of efforts beginning in 1959 to identify measures that might be taken to expand the scope of the GAO audit. The Agency cooperated fully with the GAO in consultation with the CIA Subcommittee of the House Armed Services Committee in this endeavor. The Comptroller General, with the approval of the Chairman of the House Armed Services Committee, finally concluded, however, that the audit scope could not be expanded and that continuation of the limited scope audit served no useful purpose.

3. The agreement concerning destruction of records is in the form of a letter, Tab B attached, to the Director of Central Intelligence from the Comptroller General, dated November 2, 1967, granting approval to a records retirement program. The approval explicitly provides for disposition of records in accordance with the schedule (furnished with the Director's letter of October 3, 1967, also at Tab B) "after conducting your own audit of accounts".



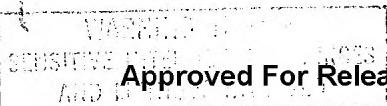
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Acting Director of Finance

Atts

Financial



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INDEX TO TAB A ATTACHMENTS

1. Discontinuance of Audit

- a. Letter of 26 July 1962 from Comptroller General Campbell to Chairman Vinson

Acknowledges letter of 18 July 1962 from Chairman Vinson which accepts GAO conclusion to withdraw from further audit activities at the Central Intelligence Agency.

- b. Proposed draft of 11 July 1962 (copy of final letter of 18 July not received) from Chairman Vinson to Comptroller General

Acknowledges Comptroller General's letter concerning restrictions on performance of audit of the Central Intelligence Agency. Affirms the need for restrictions and the fact of Agency strengthening of the Comptroller and internal audit functions in the Agency. Agrees that Comptroller General withdraw from further audit activities.

- c. Letter of 21 June 1962 from Comptroller General to Chairman Vinson

Reviews prior correspondence and contact with the Agency and sets forth for further consideration by Chairman Vinson, Comptroller General's view that the security restrictions inherent in the intelligence operations are so severe as to preclude effective performance of audit.

2. Background Memoranda (in chronological sequence)

- d. Letter of 29 May 1959 from Comptroller General to Chairman, Special CIA Subcommittee, Committee on Armed Services

Cites background for limited audit posture, acknowledging it had been requested by Director of Central Intelligence, and develops a rationale for a recommendation that GAO be allowed to expand the scope of its audit.

- e. Letter of 18 June 1959 from Chairman, CIA Subcommittee to Director of Central Intelligence

Advises the Director of the desire of the Subcommittee and of the General Accounting Office for an expansion in scope of the GAO audit.

f. Letter of 30 June 1959 to the President from DCI

Informs the President of the interest of the CIA Subcommittee and of the GAO in broadening the scope of the GAO audit; indicates that with the acquiescence of the President, he (DCI) will enter into discussions with the Comptroller General and the Chairman of the CIA Subcommittee for purpose of determining whether the GAO audit could be broadened without impairing the powers and authorities of the Director with regard to expenditures for confidential purposes.

g. Letter of 16 October 1959 to Comptroller General from DCI

Acknowledges previous discussions regarding improvement of GAO audit and suggests guidelines within which such improvements must be accomplished.

h. Letter of 21 October 1959 from Comptroller General to DCI

Expresses willingness for trial period to expand reviews within guidelines established.

i. Letter of 16 May 1961 from Comptroller General to DCI

j. Letter of 16 May 1961 from Comptroller General to Chairman, Special Subcommittee, CIA, Committee on Armed Services

Reports on reviews of CIA operations subject to audit, states no worthwhile audit objectives being achieved and evidences intention to discontinue audit.

k. Letter of 18 May 1961 from Chairman Vinson to Comptroller General

Requests continuation of audit, pending completion of further discussions between the Committee, the General Accounting Office and the Central Intelligence Agency.



COMPTROLLER GENERAL
OF THE UNITED STATES
WASHINGTON

JUL 26 1962

Dear Mr. Chairman:

Your letter dated July 18, 1962, on further audit activities by the General Accounting Office at Central Intelligence Agency is acknowledged.

Your acceptance of our conclusion that we withdraw from further audit activities at this Agency is appreciated and we will proceed to complete the work that is in process at a relatively early date.

Sincerely,

Joseph Campbell

Comptroller General
of the United States

Honorable Carl Vinson
Chairman, Committee on
Armed Services
House of Representatives

28 November 1962

MEMORANDUM FOR THE RECORD

SUBJECT: GAO Audit Correspondence

Mrs. Oneta Stockstill, House Armed Services Committee staff, has advised me that Chairman Vinson sent to the Comptroller General a letter concerning the CIA audit precisely as suggested in our draft reply dated 11 July 1962. Mrs. Stockstill also gave me a copy of the Comptroller General's note of acknowledgement to Chairman Vinson.

[Redacted] 25X1
Assistant Legislative Counsel

DRAFT
OGG:LMN:bjc
12 July 1962

Honorable Joseph Campbell
The Comptroller General
of the United States
Washington 25, D. C.

Dear Mr. Campbell:

I have read your letter concerning the restrictions on performance of an audit of the Central Intelligence Agency and your opinion that as a result of these restrictions you could not effectively accomplish any worthwhile audit objectives at the Central Intelligence Agency.

As you know, the restrictions you met with in the Central Intelligence Agency are necessary, I believe, for the proper protection of its intelligence activities and should be maintained. Also, Mr. McCone has informed us that among the reorganizational steps he has carried out is a major strengthening of the comptroller and internal audit functions in the Agency. Consequently, I believe you have met the objectives of my letter of May 18, 1961, which recommended that you continue your work at that time, and since you feel confirmed in your opinion that it is not a worthwhile effort, I am agreeable that you withdraw from further audit activities in the Central Intelligence Agency.

Sincerely,

Carl Vinson

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Next 2 Page(s) In Document Exempt

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COMPTROLLER GENERAL OF THE UNITED STATES
Washington 25, D. C.

B-133200

June 11, 1959
(Rev. 2/1)

Honorable Paul J. Kilday, Chairman
Special Subcommittee, Central Intelligence Agency
Committee on Armed Services
House of Representatives

Dear Mr. Chairman:

On May 15, 1959, Mr. A. T. Samuelson, Director of our Civil Accounting and Auditing Division, attended an executive meeting of your Subcommittee to discuss our audit responsibilities and activities at Central Intelligence Agency. At the conclusion of this meeting, it was suggested that recommendations be submitted for the future audit activities by the General Accounting Office at this Agency.

Following the enactment of the Central Intelligence Agency Act of 1949, the then Director of the Agency requested that notwithstanding the very broad and unusual powers granted to the Central Intelligence Agency by the Act an audit of expenditures at the site, as previously performed by the General Accounting Office, be continued. Accordingly, the General Accounting Office has continued to make audits of vouchered expenditures, under the same arrangements that were in effect with the predecessor Central Intelligence Group. However, in view of the provisions of section 10 of the Central Intelligence Agency Act, no exceptions have been taken to any expenditures. In those cases where questionable payments come to our attention, we refer the cases to the CIA Comptroller's Office for corrective action. In using the term questionable payments, we mean any expenditures which, except for section 10 (a) of the Act, would appear to be improper or illegal either under law or under the decisions of the Comptroller General. In our audit work, we have not made a substantive review of Agency policies, nor of its practices and procedures, and we have made no audit of expenditures of unvouchered funds.

Since the enactment of Central Intelligence legislation, we have generally broadened the type of audit we make of the activities of most Government agencies. Under our comprehensive audit approach, our basic purpose is to review and evaluate the manner in which the agency or activity under audit carries out its financial responsibilities. We construe financial responsibilities as including the expenditure of funds and the utilization of property and personnel in the furtherance only of authorized programs or activities in an effective, efficient, and economical manner. In carrying out this kind of an audit, we examine the organization structure and review the established agency policies for conformity with legislative intent and applicability to agency activities. We also examine agency practices and procedures followed in carrying out the agency policies and make selective examination of actual transactions as a means of appraising the application of agency practices and procedures. Reports on the results of our work are submitted to the Congress and to agency management officials.

We believe that a broader type of audit is appropriate for our work at Central Intelligence Agency and is more likely to be productive of evaluations of the administrative functions which would be helpful to the Congress and the Agency Director. We have accordingly concluded that it would be desirable to expand our audit work at Central Intelligence Agency more in line with our regular comprehensive audit approach. The expanded work would include an examination of vouchered expenditures, and, at the outset, the controls and procedures used in processing unvouchered expenditures. Also we would propose to make a limited examination of the support for unvouchered expenditures in accordance with such agreement as to access as can be worked out between CIA and our Office. As indicated by the preceding comments we have heretofore carried out only limited audit work at CIA, and we do not believe such limited work should be continued.

At this time we do not recommend any change in section 10 of the Central Intelligence Agency Act. We believe, however, that your Subcommittee could be very helpful in effecting a change in the scope of our audit work at CIA by advising the Agency of your interest in broadening the audit performed by the General Accounting Office. Any broadening of our audit activities should not include an evaluation of the intelligence activities of the Agency.

We are prepared to discuss this matter further at your convenience.

Sincerely yours,

/s/

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HOUSE OF REPRESENTATIVES

Committee on Armed Services

Suite 313, House Office Building

Washington 25, D. C.

June 18, 1959

Honorable Allen Dulles
Central Intelligence Agency
Washington 25, D. C.

Dear Mr. Dulles:

On March 2, 1959 and subsequent dates staff meetings were held between the CIA Subcommittee and the General Accounting Office in order to develop a clearer understanding of the relationship between the General Accounting Office and the Central Intelligence Agency. Upon completion of these staff meetings the CIA Subcommittee met on May 15 with a senior representative of the General Accounting Office for the purpose of pursuing the information developed in the staff conferences.

The Subcommittee fully appreciates the legal exemption of the Central Intelligence Agency from audit by the General Accounting Office. However, since representatives of GAO have been assigned to the Central Intelligence Agency since you became Director and prior thereto, there is a general impression that the vouchered funds of CIA have been subjected to the normal audit function of the General Accounting Office. It is this particular point that the Subcommittee pursued at its meeting on May 18.

At the conclusion of its meeting, the Subcommittee informally concluded that:

(1) the degree of audit of vouchered funds performed by GAO representatives in the Central Intelligence Agency was considerably less than had been thought;

(2) for the protection of the Agency and the assurance of the Congress, the audit function should continue;

(3) that more senior representatives of the General Accounting Office should be assigned to this function; and,

(4) that the Chairman of the Subcommittee should seek the formal opinion of the Comptroller General with respect to this matter.

In keeping with the above, I requested the official opinion of the Comptroller General on the relationship of his office with the Central Intelligence Agency. Under date of May 29, I received a letter from the Comptroller General, a self-explanatory copy being hereto attached. You will note that the Comptroller General recommends a broader type of audit than is presently accomplished. At the same time he takes cognizance of appropriate restrictions which are inherent in this endeavor.

The question now arises as to the action that will be taken with reference to this matter. Inasmuch as the General Accounting Office participates in the activities of your Agency by invitation, it is my opinion that it would be both appropriate and desirable for you to initiate a conference with the Comptroller General in an effort to clarify the existing situation. The CIA Subcommittee stands ready to assist in any manner, but I believe you will concur in my thought that the conference which I have suggested represents the most desirable approach to a solution.

As soon as you have had an opportunity to consider this matter I would appreciate an expression of your reaction.

Sincerely,

/s/

Paul J. Kilday, Chairman
Subcommittee on CIA

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C O P Y

16 October 1959

The Honorable Joseph Campbell
The Comptroller General of
the United States
Washington 25, D. C.

Dear Mr. Campbell:

Since we had the pleasure of briefing you on 30 July, we have discussed further with Mr. Samuelson how the General Accounting Office's audit of this Agency might be improved. I believe that the General Accounting Office can expand its current audit activities in a considerable portion of the Agency, and in moving forward in this direction I feel that we should reach agreement on certain fundamental aspects.

In the Central Intelligence Agency Act of 1949, the Congress, recognizing some of the unique problems involved in the conduct of intelligence activities, provided broad authorities over the expenditure of and accounting for Agency funds. In particular, Section 8 of that Act (formerly Section 10) provides that expenditures for objects of a confidential, extraordinary or emergency nature are to be accounted for solely on the certificate of the Director and every such certificate shall be deemed a sufficient voucher for the amount therein certified. This wording does not contemplate the review of expenditures which the Director certified were made for confidential, extraordinary, or emergency purposes.

While all funds appropriated to the Agency are technically on an "unvouchered" basis, it has been my policy and that of my predecessors to limit the exercise of this special authority to those activities which in the national interest should have the maximum security protection. To the extent possible Agency funds are expended under the other provisions of the Central Intelligence Agency Act and the vouchers for these expenditures are available to the General Accounting Office. This policy has been exercised to such a degree that certain activities, not in themselves sensitive but conducted solely in support of highly confidential operations, are funded under general authorities without invoking my special authority to make final accounting therefor. A comprehensive audit of the sort now conducted by the General Accounting Office in other

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agencies, if applied to our so-called vouchered expenditures, would necessarily reach into the confidential operations which they support and which are protected by my special authority under Section 8 of the Act. In these instances, therefore, the comprehensive audit would have to be limited so as to remain outside the area of sensitive security operations.

In view of the statutory background, I trust that you will agree with the position set forth above. If you have any question I would be delighted to discuss the subject with you at your convenience. If we are in agreement on these fundamental principles, I suggest that your representatives continue to explore with my Staff the manner in which the scope of the General Accounting Office's audit of the Agency may be broadened, consistent with the security requirements described above.

Sincerely,

/s/

Allen W. Dulles
Director

COMPTROLLER GENERAL OF THE UNITED STATES

Washington 25

21 October 1959

Honorable Allen W. Dulles, Director
Central Intelligence Agency

Dear Mr. Dulles:

Your letter dated October 16, 1959, concerning a proposed extension of our audit of Central Intelligence Agency has been reviewed, and further discussions have been had between representatives of this Office and your Staff.

Your letter notes the unique problems involved in the activities of the Central Intelligence Agency and the broad authorization given you over the expenditures of and accounting for Agency funds. In recognition thereof, you indicate that an audit of the Central Intelligence Agency would have to be limited to reviews outside the area of sensitive security operations on:

- (1) Expenditures certified by the Director under Section 8 of the Central Intelligence Agency Act of 1949, as amended.
- (2) Certain activities in support of confidential operations protected by your authority under Section 8.

We agree that to the extent expenditures are certified by you as confidential, extraordinary, or emergency nature, such expenditures are not subject to examination by us without your concurrence.

In our comprehensive audits, we examine the organization structure, agency policies, and agency practices and procedures, together with a selective examination of actual transactions as a means of appraising the application of agency practices and procedures. As a result of the discussions with your Staff it seems possible for the General Accounting Office to expand its audit at the Central Intelligence Agency into a considerable part of the Agency's activities, even though our reviews would be outside the area of sensitive security operations. Despite the limitation, we believe as a result of the reviews we could make that we would be in a position to make evaluations of a substantial part of the administrative functions.

The Central Intelligence Agency presents problems on sufficient breadth of coverage and review of detail for the purpose of reaching sound evaluations, but we are willing to broaden our activities at Central Intelligence Agency within the principles expressed in your letter. However, in the event it appears after a trial period that our reviews are limited to such an extent that we cannot effectively and constructively accomplish any worthwhile objectives, we will have to consider whether the audit should be continued.

On the basis of the above, we are willing to have further discussion with your Staff in order that the audit may proceed.

Sincerely yours,

/s/ Joseph Campbell

Comptroller General
of the United States

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Next 5 Page(s) In Document Exempt

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WASHINGTON, D.C. 20540

Executive Registry

DD/S 67-5121

B-162167

November 2, 1967

Dear Mr. Helms:

I have your letter of October 3, 1967, forwarding for my approval, in accordance with section 9 of the Records Disposal Act of July 7, 1943, 44 U.S.C. 374, a proposed financial records retirement program covering various records of the Central Intelligence Agency. Under the proposed program, you would effect disposition of the related records pursuant to the standards set forth in the schedule after conducting your own audit of accounts.

Since these standards are generally patterned after retirement standards for similar records approved for other departments and agencies, I concur in their adoption.

Sincerely yours,

Comptroller General
of the United States

The Honorable Richard Helms
Director, Central Intelligence Agency

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Executive Register
107-47192

3 OCT 1967

The Honorable Elmer B. Stants
Comptroller General of the United States
Washington, D. C. 20548

Dear Mr. Stants:

I am submitting for your consideration a financial records retirement program which, subject to your approval as authorized under 44 U.S.C. 374 (1964), would be adopted by this Agency. A retirement schedule for the particular records involved is set out in the enclosure. It is generally patterned after the schedule applicable to the retirement of financial records by executive departments and agencies of Government, particularly as to identification of categories of documents and the application thereto of appropriate records retention periods.

Under the terms of this proposal, the Agency would, after conducting its own audit of accounts, effect the disposition of the related financial records pursuant to the enclosed retirement schedule.

I am of the opinion that this Agency program would adequately protect the interests of the Government while contributing toward a savings in terms of storage and manpower costs.

Your approval is requested.

Sincerely,

SIGNED

OCT 15 1967
Richard Helms
Director

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ORIGINAL FINANCIAL RECORDS RETIREMENT SCHEDULE

<u>Description of Records</u>	<u>Disposition Instructions</u>
1. Original Headquarters and field collection and miscellaneous disbursement records.	
a. Original collection and disbursement records including Washington and field statements of transactions, supporting vouchers, schedules, receipts, authorizations, and related papers exclusive of freight, transportation and payroll records.	Destroy 12 years after the period of the account.
2. Original Headquarters and field payroll records pertaining to salary and allowance payments to Agency employees.	
a. Individual pay card or equivalent, reflecting detailed pay, deductions and service records.	Destroy 56 years after date of last entry on card.
b. Original payroll vouchers for indigenous employees. (Individual pay cards <u>not</u> maintained.)	Destroy after 56 years from dates of the accounts in which they were submitted.
c. Original payroll vouchers and bond schedules for Headquarters personnel and FEIS U. S. Citizen field personnel. (Individual pay card or equivalent maintained.)	Destroy 12 years after the period of account in which they were submitted.
d. Leave records, maintained independently of pay and earning records.	
(1) Pay or fiscal copy.	
(a) Final leave record showing accumulated leave on separation.	Destroy 10 years after last entry on card.

<u>Description of Records</u>	<u>Disposition Instructions</u>
(b) All other pay or fiscal copies.	Destroy 3 years after audit of related pay records.
e. Time and attendance reports, notification of personnel actions (exclusive of those in Official Personnel Folders), payroll control registers and payroll change slips.	Destroy 2 years after audit of related pay records.
3. Original Headquarters and field transportation and freight records.	Retain for 4 years after the period of account. Freight or passenger transportation vouchers which have become involved in litigation or any other condition that requires the voucher to be retained beyond the 4 year retention period should be retained for 10 years after the period of the account.
4. Contracts	
a. Original numbered contracts and letters of agreements on negotiated contracts covering general Agency procurement.	Destroy 12 years after the end of the fiscal years in which the contracts were stored in the Agency (CIA) Records Center.
5. Personal Service Contracts	
a. Personal service contracts for experts, consultants and part-time employees.	Destroy 12 years after the end of the fiscal year in which the contracts were stored in the Agency (CIA) Records Center.
6. Accounting Records	
a. General Accounts Ledgers	Destroy 10 years after close of fiscal year involved.
b. Allotment Records	Destroy 10 years after close of fiscal year involved.